

Individual Development Account Policy Statement

Introduction and Description

The Individual Development Account (IDA) program is designed to assist qualifying individuals to accumulate savings and develop personal finance skills. The accumulated funds are deposited with a financial institution and the accounts are administered by a community non-profit organization.

Individuals may receive matching funds for their IDA from the State of Indiana, the federal government and/or the organization. The state and federal governments may match three times (3:1) the amount deposited in the account, but each not exceeding \$900 annually. The organization must report the amount deposited into each IDA to the Indiana Department of Commerce (IDOC) within the set time frame for the participant to receive the state match for a given fiscal year.

Applicant Eligibility

Applicants must meet all of the following criteria under IC 4-4-28:

- A community development corporation that is a private, non-profit corporation whose:
 - ◆ Board of directors consists primarily of community, business and civic representatives and leaders; **AND**
 - ◆ Principal purpose includes the provision of:
 - housing
 - community based economic development projects; or
 - social services
- An organization that primarily benefits low-income individuals;
- A tax-exempt, 501(c) ruling from the Internal Revenue Service;
- A not-for-profit ruling from the Indiana Department of Revenue, **AND**
- Good standing with the Indiana Secretary of State.

Requirements of the Applicant

All applicants are required to:

- Establish a working relationship with one or more financial institutions; and
- Provide and ensure that participants attend a personal financial education/training workshop for participants in the IDA program.

An annual report indicating the number of accounts established, the amount of tax credits used, the amount of investment secured through the tax credits, and any additional information that may be requested must be provided to the IDOC by the required date prior to the fiscal year. Recognizing that this new program requires additional information, the IDOC reserves the right to request additional information as necessary.

Qualifying Individual

A qualifying individual:

- Receives or is a member of a household that receives temporary assistance for needy families (TANF) under IC 12-14-2; or
- Is a member of household with an annual household income that is equal to or less than 175% of the federal income poverty level (see chart below).

Only one member of a qualifying individual's household may establish an account. A qualifying individual may establish an IDA by applying at a participating organization.

SIZE OF FAMILY UNIT	POVERTY GUIDLINE	175% OF POVERTY GUIDLINE
1	\$8,980	\$15,715
2	\$12,120	\$21,210
3	\$15,260	\$26,705
4	\$18,400	\$32,200
5	\$21,540	\$37,695
6	\$24,680	\$43,190
7	\$27,820	\$48,685
8	\$30,960	\$54,180

For family units with more than 8 members, add \$3,140 for each additional member. (The same increment applies to smaller family sizes also, can be seen in the figures above.) And for the 175% equivalent add \$5,495. Source: US Department of Health and Human Services, February 7, 2003.

Limitations and Uses of IDAs

Individual development accounts must be utilized for at least one of the following:

- Pay for costs (tuition, lab costs, books, computer costs, and other costs) at an accredited institution of higher education or vocational school for the individual or a dependant of the individual;
- Pay for costs (tuition, lab costs, books, computer costs, and other costs) associated with an accredited or licensed training program that may lead to employment for the individual or a dependant of the individual;
- Purchase of a primary residence for the individual or dependant of the individual, or to reduce the principal amount owed on a primary residence that was purchased by the individual or a dependant of the individual with funds from an IDA;
- Purchase, start-up, or expansion on an existing business.

Individuals must request and receive authorization from the organization that administers their IDA before withdrawing money from the account for any purpose. Individuals who are denied authorization to withdraw money may appeal the organization's decision to the IDOC.

Money withdrawn from an individual's account is not subject to taxation, under IC 6-3-1 through IC 6-3-7, if the money is used for the purpose for which its withdrawal was authorized. In addition, interest earned on an IDA during a taxable year is not subject to taxation under IC 6-2.1, IC 6-3, or IC 6-5.5.

Money in an IDA may not be considered an asset of an individual when determining the individual's eligibility for public assistance under IC 12-14. An IDA also may not be considered a countable asset.

Funding and Uses of Tax Credits

The State of Indiana can authorize 800 IDAs per year. However, additional IDAs may be established through an organization with matching funds provided to the organization through private donations. An organization may use the award of tax credits as a fundraising tool for their 3:1 match to an IDA.

IDA tax credits may only be used against Indiana tax liability. Credits for contributions of a minimum of \$100 up to \$50,000 may be claimed within a tax year. Tax credits must be claimed the year in which the contribution was made. The credit equals one-half (50%) of the contribution. Total tax credits awarded by the IDOC cannot exceed \$200,000 per year.

An applicant organization may submit only one request for IDA credits per state fiscal year. The organization must be certain that it has secured enough investments to match all applicable accounts at least 3:1. Successful utilization of the IDA program requires marketing, fundraising, and accounting ability on the part of the applicant.

Should a program not meet anticipated goals, the IDOC may deallocate unused tax credits and reallocate them to another organization. The IDOC reserves the right to make conditional awards and to set the policies and priorities of the IDA program.

Questions regarding these policies should be directed to the Community Development Division by calling (317) 232-8911 or (800) 824-2476, via TDD at (317) 233-5977; or you may write:

**Indiana Department of Commerce
Community Development Division
Attn: IDA Program
One North Capitol, Suite 600
Indianapolis, IN 46204-2288**